

## **Chief Executive Officer's Report**

Date: January 31, 2022  
To: Board of Directors of the Toronto Atmospheric Fund  
From: Chief Executive Officer

### **GOVERNANCE MATTERS**

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#### **Board and Committee News**

A warm welcome to Councillor Nick Mantas who was appointed by Council to the TAF Board mid-November; this will be his first meeting, although he joined the last meeting as an observer. He will join the Audit Committee; see Item TA 15.9.

Our thanks to Rob Eberschlag who served on the Investment Committee for four years, providing clear perspectives on structure and risk, drawing on his legal expertise and deal-specific experience. While his busy practice makes participation challenging, he has graciously offered to stay connected as needed. Rob Roberti has taken a leave of absence from the Investment Committee, also due to professional commitments. As we move to implement the separate Investment and Direct Investment Committees, re-assignments of current members and new members will be appointed; see Item TA 15.7.

#### **Risk Register**

Notable risks for this period and our response include:

- Operational - staff capacity and/or governance capacity are inadequate to deliver on TAF's mandate. Two vacancies have required service reductions and task re-assignments and prompted review and revision of the job descriptions and job levels to attract the appropriate skills and improve retention potential. A business continuity plan has been developed to ensure that any function that cannot be left unattended for more than day has a clear alternate lead and instructions for implementation.
- Program – risk aversion constrains TAF's ability to fulfill mandate. Significant time and money was required to address challenges in advancing a major procurement, detracting from core functions, meeting partner expectations and timelines; a resolution is being pursued via updates to the Relationship Framework and resources have been budgeted in anticipation.
- Financial - there is a significant capital market downturn. A range of underlying challenges including ongoing pandemic-related restrictions, predicted interest rate hikes and inflation have shaken equity markets and undermined bond returns, with TAF's portfolio losing some of the unrealized gains during the year, but one and multi-year performance is still very strong, even without fossil fuels in the mix. At the

direction of the Investment Committee the defensive Fixed Income position will be bolstered with some higher-earning options, and potentially Alternatives should the Statement of Investment Objectives and Principles (SIOP) be amended.

- Reputational - actions taken by TAF staff, Board or Committees or by LC3 colleagues damage TAF's reputation in the eyes of its stakeholders, funders and/or the public. With expert advice of City colleagues, TAF responded to a Municipal Freedom of Information and Privacy Act request in a timely and transparent manner, including seeking permission from third parties.

## **Agreement-Related Matters**

### **TO/TAF Agreements**

TAF and City staff are updating the Relationship Framework and By-law; see Item TA 15.11 for more details and request for Board input.

A Member's Motion by Councillors Layton and Carroll is requesting Council approval for an interim amendment of the investment policy, specifically to add an Alternative Investments asset class which the Investment Committee has indicated is required for prudent risk management of the endowments in the current market and inflationary context. TAF has provided the City's Chief Financial Officer/Treasurer with written assurance that investment activities permitted by this motion will not introduce any new risk for the City until comprehensive and related amendments to the Relationship Framework, Bylaw and SIOP are also brought to Council.

### **ON/TAF/TO Transfer Payment Agreement (TPA)**

To the best of my knowledge, this confirms that TAF is in compliance with the terms of the Transfer Payment Agreement.

### **FCM/TAF/TO Funding Agreement (FA)**

The annual plan, annual budget and 5-year forecast was submitted to FCM as required.

## **STRATEGIC PROGRAMS AND OPERATIONS**

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### **Staff News**

Aakash Harpalani joined TAF in January as Director, Research & Innovation, covering a parental leave. Recruitment is underway for two positions: Senior Grants Manager and Office Co-ordinator. A recruitment firm has been retained to assist with the executive search for VP, Impact Investing.

Funded by the LC3 network, Mary Pickering, VP, Special Projects, will continue to support implementation of and collaboration among the LC3 network, while maintaining one day per week at TAF.

### **Operations**

We continue to work from home and look forward to an eventual hybrid return to the office when possible. In preparation, our hybrid office set-up continues, with new hardware purchased and upgrades to the office WIFI complete. A compensation study, undertaken with the support of an external consultant is underway with results for implementation expected in February.

## **Equity, Diversity & Inclusion (EDI)**

The working group continues to deliver content to enable staff growth and awareness. Goals and a workplan for 2022 have been established including: ensuring all TAF staff have the fundamentals on Indigenous Cultural Competency, Anti-Racism and Anti-bias; conducting annual staff, board and committee EDI surveys and reporting the results (2021 results will be presented at the April Board meeting and the next survey issued in the summer); and skills development including for handling workplace discrimination and harassment and for inclusive workshop design and facilitation.

## **Accelerating Retrofits**

Significant progress is being made to secure external funding for TAF's Retrofit Accelerator, including grants from the Trottier Family Foundation (\$150,000) and the McConnell Family Foundation (\$2 million over 5 years.) Requests have been made to several federal agencies including NRCan, ECCC and CMHC, and we should hear soon regarding a proposal for \$1.7 million over three years to NRCan's Smart Renewables and Electrification Pathways Program. With TAF's contribution -- \$600,000 approved for 2022 and ideally similar amount over subsequent years pending approval -- the current gap is \$8 million over five years (\$2 million over 3 years). The team would appreciate any assistance the Board can provide to achieve this funding target including potential supporters and introductions.

Implementation of the TAF/Toronto Community Housing (TCH) partnership agreement is underway to advance mutual climate and affordable housing priorities. The teams evaluated the outcomes from 2021 and are jointly developing partnership and project goals for 2022. TAF has supported preliminary strategizing around decarbonizing TCH's building portfolio and expect this work to intensify throughout 2022. In partnership with the City and TCH we've launched development of a feasibility study for a district energy system in the St. Jamestown neighbourhood which will explore the possibility of using geo-exchange or sewer waste heat recovery (or a combination of the two) to provide low-carbon heating and cooling to four TCH residential towers as well as neighbouring buildings. The RFP for a full Integrated Project Delivery (IPD) retrofit of a TCH complex has closed and the TAF/TCH evaluation team is now reviewing submissions; this is the first of its kind which we hope to use for subsequent projects.

Durham Region Council recently approved moving forward to the next stage of a multi-building deep retrofit project being developed jointly by the Region, Durham Region Local Housing Corporation, and TAF. Fundraising (through FCM's Sustainable Affordable Housing initiative) and pre-design work is underway, with detailed design work expected to begin later in 2022.

## **Electrification of transportation**

On January 25<sup>th</sup>, TAF publicly launched its [EV Station Fund](#) alongside Julie Dabrusin, Parliamentary Secretary to the Minister of Natural Resources and the Minister of Environment and Climate Change. The program launch was covered on CBC Radio One news, an online CBC article, and various industry news communications. The initial response to the program has been strong, with over 20 pre-qualification forms submitted to date. The TAF team will continue to promote the EV Station Fund to TAF's

network of regional stakeholders. Interested parties are being invited to attend an online program [information session](#) on February 10, 2022.

In December, Toronto City Council directed the City's Municipal Licensing and Standards Division to work with TAF and the City's Environment and Energy Division to establish a Vehicle-for-Hire (VFH) group under the City's existing Electric Vehicle Working Group. The VFH group will convene relevant stakeholders to develop a strategy to accelerate emissions reductions and electrification of the VFH industry. We look forward to supporting our City counterparts on this important file in 2022.

### **Research & Innovation (previously Carbon and Co-benefits Quantification)**

TAF released its [2019-2020 GTHA Carbon Emissions Inventory](#) in December. It revealed that emissions in the region decreased by 0.4% in 2019 and by 13.4% in 2020, the latter due to historic reductions in transportation demand and industrial output resulting from COVID-19 pandemic response policies, which data show is already bouncing back. Emissions rose by 2% between 2015 and 2019, highlighting that the region is not on track to meet local or international 2030 climate commitments. TAF will be engaging our networks and the public - through webinars and traditional media - to help them better understand the sources of carbon emissions in their area and to influence the focus and speed of climate actions.

An update of the [Electricity Emissions Factors \(EFs\) and Guidelines](#), used for estimating emissions from Ontario's electricity system, was released in November. It includes factors for 2019 and 2020, seasonal emissions factors, an improved methodology based on research and feedback from other practitioners, and updated multipliers to better estimate the long-term impact of electrification projects and large, transformative interventions. This guideline is widely used by a range of practitioners in Ontario.

### **Climate Policy**

Federal consultations have been initiated on a Zero Emissions Vehicle (ZEV) mandate, starting with light-duty and expected for heavy-duty soon. TAF has been involved in multiple sessions and will continue convening with partners throughout the year, including with Electric Mobility Canada via a grant and an advisory role. On a more local EV-related policy, TAF worked with City of Toronto staff to secure a significant update to the parking by-law which removes parking minimums and requires EV-ready new spaces.

In December, Toronto City Council passed the TransformTO Net Zero Strategy which officially set 2040 as Toronto's net zero emissions date, requires annual reporting on GHG emissions, establishes a Carbon Budget which is currently being designed, accelerates the schedule for updates of the Toronto Green Standard, and establishes a Climate Advisory Group that will help to advise the City on future actions.

### **Impact Investing**

Production of renewable gas (RNG) continues to form part of our impact investing focus. Retrospectives and insights from TAF's challenging but successful investment in

the [BerQ RNG](#) project were presented to the Investment Committee and have been summarized for the Board (see Item TA 15.8). TAF commissioned [Ecostrat](#) to prepare an assessment of the available organic supply to support new RNG projects which will provide investors and developers with a deeper understanding of current opportunities and market dynamics in Ontario. And a collaboration is underway with the Ontario Clean Water Agency (OCWA) to develop an integrated approach to planning, financing and implementing RNG projects at municipal wastewater treatment facilities

The team is starting 2022 with a healthy pipeline of opportunities. We are seeing a significant increase in investor appetite for sustainable investing opportunities leading to a rapidly growing number of deals driven by accelerating climate tech innovation. The decreasing cost of renewables coupled with aging infrastructure and increased climate urgency are key enablers of the fast-growing industry and will continue to drive more deal flow going forward as all these factors mature. Due diligence is underway on two potential investments.

### **Grants, including summary of completed Grants**

Due to lack of capacity, we cancelled grant application intake until we have a new Senior Grants Manager on board. Staff considered inviting a small handful of proposals for time-sensitive projects, but based on consultations with grantees and grant-seekers, we're confident that any emerging opportunities can wait a few months. We plan to run two intake rounds in 2022, with the first Grants Committee meeting in June and the second one in October.

### **Harbord Village Residents Association – HVRA Electric Vehicle Project**

*\$16,050 over 12 months, approved in November 2020*

The objectives of this concept development grant were to: 1) study the market readiness for electric cars and e-bikes among Harbord Village neighbourhood residents, 2) assess the feasibility of implementing a locally-led bulk purchase program for these vehicles, and 3) develop plans to install a public EV charger in the neighbourhood. HVRA used TAF grant funds to hire two graduate students who worked with HVRA members and volunteers to launch a detailed resident survey and facilitate interviews with a wide range of EV and e-bike stakeholders including vehicle manufacturers, retailers, EV charging companies, non-profit organizations, and local businesses. Data gathered showed clear demand for EVs, but HVRA has concluded that EV manufacturers do not have the marketing programs or the vehicle supply to support an EV bulk purchase program at this time. Although interest among residents in e-bikes is lower, local retailers are well positioned to participate in an e-bike bulk purchase program. HVRA is committed to further developing this program in the coming months and to hosting future public events to increase awareness of and interest in e-bikes among community members. Due to a variety of challenges including lack of interest, capacity, or perceived benefit, HVRA was unable to secure a local property owner to proceed with a community EV charger. However, discussions with Toronto District School Board to install a charger in a local school parking lot have shown promise, and HVRA intends to pursue this opportunity further. Through this project, HVRA also

identified 25 other neighbourhood associations from across the city who have expressed interest in supporting or directly participating in a future bulk purchase program, which demonstrates the scalability of the concept should the identified barriers be overcome.

**Canada Green Building Council (CaGBC) – Building Regional Capacity for Complying with and Leveraging EWRB**

*\$198,372 over 30 months, approved in March 2019*

The objective of this multi-year grant was to increase reporting of energy use, water use and greenhouse gas emissions under Ontario's mandatory Energy and Water Reporting and Benchmarking (EWRB) regulation for buildings. CaGBC set out to achieve this by hosting a series of in-person workshops to educate building owners and operators about the EWRB reporting requirements and to provide training on how to use relevant tools to collect and submit benchmarking data. At the onset of COVID-19, the program pivoted to a fully online delivery model supported by strategic partners who helped promote the virtual works to priority building sectors. Between 2019-2021, more than 600 building sector stakeholders participated in live workshops facilitated by CaGBC, or accessed training materials and resources developed by the project team. Additionally, to address specific market concerns about the value and applicability of benchmarking due to the COVID-19 pandemic, CaGBC conducted a research project that provided guidance on changes made to the benchmarking programs due to COVID-19. Despite project challenges brought on by the pandemic as well as delays in the anticipated roll-out of the reporting program to smaller buildings, CaGBC produced high quality training materials that will continue to be accessible to audiences online.

**Toronto Environmental Alliance – Accelerating Neighbourhood Climate Solutions Through Neighbourhood Hubs**

*\$155,459 over 18 months, approved in March 2019*

The objective of this grant was to support community hubs (centres) in contributing toward the achievement of the City of Toronto's TransformTO Net Zero Strategy goals. To advance this work, TEA established an advisory committee of community hub staff and stakeholders from across the city to identify local climate challenges and to develop resident-led climate action initiatives. In addition to this city-wide committee, TEA worked closely with two community hubs to develop local climate initiatives. At the Unison Bathurst Finch Hub, TEA collaborated with staff to access energy and financial assessments to install rooftop solar panels. While the solar panels have not yet been installed, this partnership demonstrated the need to ensure that community organizations are provided the technical support needed to navigate building retrofit projects. With Parkdale Activity Recreation Centre (PARC), TEA worked to access dedicated resources through the City of Toronto's Green Will Initiative, which will support implementation of capital repairs and energy retrofit measures in their six buildings. This also led it to work with the Parkdale Neighbourhood Land Trust, which supports energy retrofit work across its growing portfolio of affordable housing buildings in the community. While several projects and climate actions are still in development or

stalled due to a variety of challenges, including access to capital funding, this project has increased local capacity and established cross-sector partnerships which will contribute towards community resilience, and which have the potential to drive emissions-reducing actions in the near future.

## **CONTACT**

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## **SIGNATURE**

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